United States Court of Appeals

for the Second Circuit

APPELLEE'S BRIEF

74-1585

United States Court of Appeals
FOR THE SECOND CIRCUIT

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P/S

SCM CORPORATION,
Plaintiff-Appellant,

against

XEROX CORPORATION,
Defendant-Appellee.

On Appeal from the United States District Court for the District of Connecticut

BRIEF OF DEFENDANT-APPELLEE XEROX CORPORATION

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This appeal challenges a sound determination by the District Court for the District of Connecticut, Hon. Jon O. Newman, that SCM cannot, in the circumstances of this case, establish the legal prerequisites to preliminary injunctive relief and, hence, that a protracted evidentiary hearing on SCM's motion would be an essay in futility.

In a nutshell, the District Court properly ruled that SCM's motion was "doomed to failure" (A139) because (1) plaintiff could not establish that it is threatened with immediate irreparable injury as expressly required by Section 16 of the Clayton Act (15 U.S.C. §26); and (2) the relief requested in SCM's motion would alter the status quo between the parties contrary to the proper function of a preliminary injunction.

As we shall demonstrate, this ruling, especially when viewed in the context of the extraordinary series of procedural maneuvers employed by SCM from the very outset of this litigation, was eminently correct. For it is apparent from the record that SCM's preliminary injunction motion was not the traditional resort to equity for emergency relief needed to forestall the immediate threat of irreparable harm *pendente lite*. SCM's assertion of such harm consisted exclusively of the conclusory allegations of its pleadings, and it flatly refused to comply with the District Court's repeated requests for particularization (by affidavit or offer of proof) as to how it would be irreparably injured in the absence of an injunction. Rather, SCM's motion was but the latest in a stream of tactics designed to deprive Xerox of the opportunity to defend this case on a full factual record after adequate discovery and to obtain for SCM a premature advisory opinion on the likelihood of its ultimate success on the merits of its antitrust claim in order to facilitate its business planning.

The District Court saw through this smokescreen and, applying well-settled legal principles, properly refused to embark on a lengthy trial whose outcome was a foregone conclusion.

Issues Presented for Review

1. Did the District Court err in denying SCM's motion for a preliminary injunction when:

(a) SCM's claim of irreparable injury was premised solely on the conclusory allegations of its pleadings;

(b) SCM refused to provide the District Court with any particularization (by affidavit or offer of proof) as to the manner in which it would be irreparably injured absent a preliminary injunction;

(c) Xerox unequivocally undertook that, during the pendency of this action, (i) it would not seek preliminary relief against SCM or any of its suppliers for patent infringement concerning plain paper copiers; (ii) it would not commence any patent infringement action against any end user of plain paper copiers manufactured or sold by SCM; (iii) it would give SCM or any supplier of SCM 90 days notice of intention to commence a patent infringement suit with respect to plain paper copiers; and (iv) it would grant SCM a patent license;

(d) The relief requested in SCM's motion would not preserve the status quo but would confer upon SCM a status never previously enjoyed;

(e) SCM has a completely adequate remedy in money damages in the event it sustains its antitrust charges against Xerox; and

(f) SCM did not seek preliminary injunctive relief until 10 years after it asserts it first was injured as a result of Xerox' alleged unlawful acts and practices?

2. Did the District Court err in denying SCM's motion without holding an evidentiary hearing in light of SCM's refusal to provide the District Court with any particularization (by affidavit or offer of proof) as to the manner in which it would be irreparably injured absent a preliminary injunction?

Statement of the Case

A. The Context of SCM's Motion

SCM's motion for preliminary injunctive relief in this private antitrust action is unique.

To begin with, when a plaintiff seeks the extraordinary remedy of a preliminary injunction—which subjects the

defendant to judicial restraint prior to a plenary adjudication of any wrongdoing—there should be some urgency about the matter. The usual motion for preliminary relief is made by a suitor facing an immediate threat of injury beyond repair. Here, SCM's motion comes more than a decade after it itself alleges it was first injured by the challenged acts and practices.

Second, a plaintiff seeking a preliminary injunction invariably provides the Court with affidavits setting forth the factual basis for the claim that preliminary relief is needed to avoid irreparable injury. Here, SCM made its motion without supporting affidavits, premised entirely on the conclusory allegations of its pleadings,[1] and failed to make even a *prima facie* showing of how it would be irreparably injured (or, indeed, injured at all) if injunctive relief were not forthcoming. What is more, SCM staunchly refused—in the face of the District Court's repeated requests—to submit affidavits (or even an offer of proof) showing the manner in which it was allegedly threatened with irreparable injury.

Third, an applicant for a preliminary injunction knows what relief it deems necessary to avoid grievous injury during the pendency of the litigation. Here, SCM took the extraordinary position that the Court should grant whatever relief *the Court* deemed appropriate and improvised "conceivable" remedies as it went along, piling afterthought upon afterthought in an effort to find some form of relief to which it might be entitled.

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1. Despite SCM's assertion that it submitted "documentary evidence . . . which . . . showed irreparable injurious effects of Xerox's violations on SCM" (Br., p. 23), the fact is that all of that "evidence" related solely to the issue of Xerox' alleged wrongdoing, not SCM's immediate irreparable injury, as the District Court expressly noted in the course of oral argument (E730).

These unusual features of SCM's motion are explainable only in the context of an equally unusual chain of events since this litigation commenced. SCM has attempted —by one stratagem after another—to short-circuit the defense of this massive monopolization case and obtain from the District Court—on an incomplete record and without adequate discovery—a premature advisory opinion on the ultimate merits of SCM's claim. Even a brief recounting of this case's history amply demonstrates that this appeal is bottomed on SCM's frustration at the District Court's refusal to impair Xerox' rights and dispense with normal judicial procedures.

1. The First Complaint and Preliminary Injunction Motion

SCM commenced this action on July 31, 1973 by filing a complaint containing 181 separate paragraphs comprising 46 printed pages (A21-A66). In essence, the complaint alleged world-wide monopolization of the skill and technology of plain paper copying and of the manufacture and marketing of plain paper copiers, all in violation of Section 2 of the Sherman Act (15 U.S.C. §2) (¶1, A21). It also charged that the same acts violated Section 1 of the Sherman Act (15 U.S.C. §1), as contracts, combinations or conspiracies in unreasonable restraint of trade, and Section 7 of the Clayton Act (15 U.S.C. §18), as acquisitions tending to substantially lessen competition.[2] These antitrust charges were embodied in a First Claim for preliminary and permanent injunctive relief under Section 16 of the Clayton

2. Although SCM's brief (*e.g.*, pp. 44-45) stresses the Section 1 and Section 7 claims, it is indisputable that the basic charge here is monopolization, as the District Court noted (A132). Indeed, SCM's counsel has on numerous occasions treated this case as essentially grounded on monopolization (*e.g.*, E680, E693, E698).

Act (15 U.S.C. §26) and a Second Claim for treble damages under Section 4 of that statute (15 U.S.C. §15).[3]

As its length would suggest, the complaint was verbose and prolix in the extreme, containing a host of evidentiary detail, including liberal quotations from potential witnesses and documents, voluminous statistical data, specifications concerning each model of Xerox' line of copying and duplicating equipment, the details of license terms offered by Xerox but never accepted, and references to a pending proceeding against Xerox in the Federal Trade Commission (*see* E8-9).

Alleging in the most conclusory terms (and without any particulars whatsoever) that preliminary injunctive relief should be granted "because of the continuing irreparable injury inflicted by Xerox's acts and practices on SCM, other potential competitors of Xerox, users of plain paper copiers and the public generally" (¶164, A60), the complaint sought the following items of relief *pendente lite*:

(a) An injunction forbidding Xerox "from threatening, instituting or maintaining any patent infringement action or claim against SCM with respect to SCM's present and future efforts to develop and market plain paper office copiers" (¶160, A59);

(b) An injunction forbidding Xerox "from threatening, instituting or maintaining any other action or claim which might impede SCM's present and future efforts with respect to plain paper office copiers, or which might delay the final adjudication of this First Claim" (¶161, A59);

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3. The complaint also asserted a Third Claim seeking a declaration that one of Xerox' patents is unenforceable and invalid, and that Xerox violated Sections 1 and 2 of the Sherman Act by reason of its alleged fraudulent procurement.

(c) An injunction requiring Xerox "to grant SCM a license with respect to all the United States patents and patent applications it owns or controls" (¶162, A59);[4] and

(d) An injunction forbidding Xerox from enforcing specified post-employment covenants restraining Xerox personnel from engaging in competitive xerographic endeavors for two years following termination of their employment with Xerox (¶163, A60).

Along with the complaint SCM filed a one-paragraph motion for a preliminary injunction unsupported by affidavits or any other papers (A67). The motion sought the preliminary relief alleged in the complaint (as summarized above), contained a boilerplate prayer "for such other or further or alternative relief as the Court may deem just and proper," and was "based upon the allegations set forth in . . . [the] complaint, and upon the evidence to be adduced at a hearing on this motion . . . ." Evidencing the absence of any pressing urgency for preliminary relief to avoid immediate injury, SCM also moved for a pretrial conference, *inter alia,* to schedule a date "within the next four to six months" for a hearing on its preliminary injunction motion (A68-69).

2. *The First Pretrial Conference*

In the course of the unreported pretrial conference which was held on September 12, 1973, Xerox' counsel pointed out that it would be wasteful to hold a protracted evidentiary hearing on SCM's request for a preliminary injunction: To expend the time and effort needed to make even a preliminary adjudication of SCM's extensive charges of world-wide monopolization—all of which would be sharply disputed—was pointless since, even assuming, *arguendo,*

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4. In ¶54 (A35), SCM alleged that Xerox presently owned or controlled 1,200 such patents and more than 200 patent applications.

the likelihood of SCM's ultimate success on the merits of its claim, the interlocutory relief sought in the complaint was nevertheless legally unavailable. Xerox' counsel explained that no relief was needed with respect to employee covenants since the agreements in question were no longer in effect; and that SCM was not entitled to access to Xerox' patents *pendente lite* for two reasons: (a) such relief would, rather than preserve the last uncontested status of the parties, improperly accord SCM a new status (as licensee); and (b) SCM could not conceivably be irreparably injured absent a patent license *pendente lite* because Xerox would not seek a preliminary injunction against patent infringement by SCM during the pendency of this action.[5]

In endeavoring to explain why SCM nevertheless desired to pursue its motion for a preliminary injunction, its counsel stated that it wanted a determination of its likely success on the merits. This, he went on, would enable SCM to decide whether to commit substantial additional capital to the plain paper copier field. In other words, SCM wanted an early advisory opinion on its chances of ultimately winning this lawsuit.[6]

The District Court deferred consideration of SCM's request for a preliminary injunction hearing until after determination of Xerox' motion to strike the antitrust claims of the complaint.

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5. In its reply brief on this motion in the District Court (E538, fn.), SCM denied any recollection of this undertaking by Xerox. Since Xerox' representation was formally reiterated in a letter to the District Court (E759-60), the point is academic.

6. Although no transcript was made of this conference, Xerox reminded the District Court on several occasions of these remarks by SCM's counsel (E402, E587), and at no time has SCM denied that such statements were made. Indeed, it reiterates the same view on this appeal (Br., pp. 39-40; *see* pp. 42-43, *infra*).

3. Xerox' Motion to Strike

As noted above, SCM's complaint was replete with evidentiary and other improper matter and hence not in compliance with F. R. Civ. P. 8(a)'s requirement that a pleading contain "a short and plain statement of the claim." In light of the prejudice which would result if Xerox were required, in the guise of answering a pleading, to respond to a mountain of evidence which this Court has stated "is a matter for the discovery process,"[7] on September 14, 1973 Xerox moved to strike the complaint's antitrust claims in their entirety and to require SCM to replead in compliance with the rules.

SCM responded that its evidentiary allegations were designed to elicit judicial admissions in Xerox' answer which would expedite the preparation of SCM's case and limit or obviate the need for discovery (E33-34). When, on oral argument, the Court noted that such an objective could be more properly accomplished "by pleading a more lean complaint and promptly serving request[s] to admit, detailing substantially what you have done in the Complaint" (E121), SCM replied:

> "Why should we have to wait for request[s] for admissions and then we are going to have objections and we are going to have a lot of objections on those documents and interrogatories when there is no problem here . . ." (E130).

This candid reply revealed the tactical underpinning of SCM's prolix complaint: to deprive Xerox of its legitimate right to object to improper discovery requests by embodying them in a pleading—a purpose which became even more apparent after the Court, on October 9, 1973, granted Xerox' motion (E51-56). For despite the District Court's

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7. *Nagler* v. *Admiral Corp.*, 248 F.2d 319, 326 (2d Cir. 1957).

express invitation for SCM to submit "nearly all the allegations of its present complaint as requests to admit" (E53), no such requests were forthcoming.

4. *SCM's Amended Complaint—The First Afterthought Concerning Preliminary Relief*

SCM's amended complaint (A70-A97) was served on November 2, 1973. With respect to preliminary injunctive relief, it repeated the original conclusory allegation of irreparable injury (¶54. A92) and, in paragraphs 49-51 and 53, requested the identical relief originally prayed for (A91-92). However, the amended complaint went further in one respect: It requested a mandatory injunction requiring Xerox *pendente lite* "to disclose its present short and long range plans for the manufacture and marketing of plain paper office copiers" (¶52, A92). The record to this day is totally devoid of any fact showing why SCM, in November 1973, suddenly faced immediate irreparable injury if not provided access to Xerox' secret future plans when it apparently did not confront such injury four months earlier at the time its original complaint was filed.

Xerox promptly answered the amended complaint on November 12, 1973 (A98-A112) and, invoking its constitutional right, made a timely demand for a jury trial (A113).[8]

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8. SCM suggests that Xerox' jury demand, which was concededly in the exercise of a constitutional right, was tactically motivated, asserting that Xerox had not previously demanded a jury "in any of the several other patent or antitrust litigations in which it is or has been a plaintiff or a defendant" (Br., p. 9). The fact is that in each of the other pending antitrust actions, jury trial was demanded by the plaintiff, making a demand by Xerox unnecessary. *Litton Business Systems, Inc.* v. *Xerox Corp.* (Civil No. 15137, D. Conn., filed June 28, 1972); *Litton Systems, Inc.* v. *Xerox Corp.* (Civil No. 15136, D. Conn., filed June 28, 1972); *Pram, Inc.* v. *Xerox Corp.* (Civil No. 3-6367-B, N.D. Texas, filed October 11, 1972); *Harelik, et al.* v. *Xerox Corp.* (Civil No. 39454, E.D. Mich., filed January 4, 1973, now pending W.D.N.Y.); *Xerographic Copy Service, Inc.* v.

(footnote continued on next page)

5. *SCM's Motion for Severance and Separate Trial*

Only two weeks after the filing of the amended complaint, on November 16, 1973, SCM took another extraordinary step calculated to obtain a premature ruling on the merits. At a time when SCM had already received literally thousands of documents previously submitted by Xerox to the Federal Trade Commission, and before any discovery by Xerox, SCM moved (A117-A119) for a separate trial "of the issues of whether . . . Xerox has violated each of Sections 1 and 2 of the Sherman Act and Section 7 of the Clayton Act" and for a stay of "any other proceedings with respect to all other issues" (A117). It suggested that this trial be held on May 1, 1974—*in less than six months.*

This motion totally disregarded the fundamental principle that a separate trial of the "violation" issue in this case is not available because liability and injury are not separate in a private antitrust action. *See Haverhill Gazette Co.* v. *Union Leader Corp.*, 333 F.2d 798, 802 (1st Cir. 1964), *cert. denied,* 379 U.S. 931 (1964).[9] To make matters worse, SCM acknowledged that its time schedule would not allow Xerox to conduct full discovery on the definition of the relevant market (E179-80)—one of the numerous thorny questions in this monopolization case and the vital threshold issue which is a *sine qua non* to determining the existence of monopoly power.[10] SCM claims that the relevant

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Xerox Corp. (Civil No. 1973-42, W.D.N.Y., filed January 23, 1973). Needless to say, the issues in a patent infringement action are significantly different, which explains why a jury trial was not demanded in those cases. Moreover, SCM is hardly entitled to attach sinister significance to the exercise of a constitutional right.

9. On oral argument, when confronted with the fact that, in a private antitrust action, the issues of violation and impact are inseparably intertwined, SCM retreated from its original motion and sought instead a separate trial of all antitrust issues other than the amount of damages and the scope of equitable relief (E273-78).

10. *E.g., United States* v. *E.I. duPont de Nemours & Co.,* 351 U.S. 377, 404 (1956).

market is restricted to plain paper copiers, whereas Xerox maintains that the market, properly defined, also includes coated paper copiers, as well as offset, stencil and spirit equipment (E239). Confessing that a trial could not possibly be held on May 1 if Xerox were accorded the usual discovery rights (E180),[11] SCM urged that Xerox' discovery on the market issue be sharply curtailed, if not entirely dispensed with (E178, E180-81, E194, E197-98, E351-52).

Submitting to the District Court a dissertation on its view of the law of market definition (E177-E198) and relying on its interpretation of certain statements contained in a few selected Xerox documents, SCM took the position that the market issue was not subject to legitimate dispute.[12]

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11. In denying SCM's motion, the District Court noted: "This dispute [as to the market] is critical to the likelihood of early trial on the liability issues, since SCM agrees that discovery appropriate to develop evidence of the broader market definition urged by Xerox would take considerable time, enough to make SCM's May 1 target totally unrealistic" (A125-26).

12. SCM conveniently ignored its own admission to the Supreme Court in its petition for certiorari in *Advance Business Systems & Supply Co.* v. *SCM Corp.*, 415 F.2d 55 (4th Cir. 1969), *cert. denied*, 397 U.S. 920 (1970), that the office copying machine market included both Xerox (plain paper copiers) and SCM (coated paper copiers) (E240).

In its brief on appeal, SCM states (p. 11 n.2) that Xerox' chief executive made a "crucial admission that plain paper office copying was a distinct area or 'submarket.'" This statement is, to say the least, disingenuous. SCM quotes the executive in an interview as saying that Xerox faced its "only real competition . . . from IBM," referring to plain paper copiers (E836). But SCM omits the question to which the reply was directed: "For a long time Xerox was virtually alone in the nonsensitized [*i.e.*, plain] paper copying field but now you have a number of competitors. How much effect is this having" (E835)? The question, in short, specifically inquired only about competitors marketing plain paper copiers. This in no way suggests the absence of competition from other types of copiers and duplicators. Needless to say, SCM has not directed this Court's attention to examples of Xerox' recognition of such other competition. (*See, e.g.*, E841, E853, E938, E951, E955-56). One such example is particularly illuminating. As far back as 1965, long before SCM had a plain paper copier and was marketing only coated paper machines, Xerox characterized SCM as "a strong competitive threat" (E938).

In denying SCM's motion, the Court gave short shrift to this contention, ruling that Xerox was entitled to utilize the discovery rules "to develop evidence in support of its claim of a broader relevant market" (A126). The Court added that if SCM thought it could obtain partial summary judgment as to the market, it should make an appropriate motion (*Id.*). Not surprisingly, no such motion was made.

Recognizing the inherent weakness of its separate trial motion, but still intent on achieving its primary purpose—an advisory opinion as to its likely success on the merits—SCM moved alternatively for a May 1, 1974 hearing on its preliminary injunction motion. The District Court noted that this alternative motion "seeks, presumably *pendente lite,* the relief sought in paragraphs 49 through 53 of the amended complaint" (A129-130), and went on to state:

> "Xerox contends that this type of relief is far beyond the preservation of the status quo for which, upon a proper showing, a preliminary injunction normally issues. Moreover, it is not clear whether the injury SCM seeks to prevent is the type of irreparable injury that justifies preliminary injunctive relief" (A130).

Finding that briefing these legal issues would be helpful, the Court directed the parties to submit briefs "as to whether Xerox is entitled to have SCM's motion for preliminary injunction denied as a matter of law" (*Id.*).

6. *The Briefs and Arguments on the Preliminary Injunction Motion—SCM's Second and Third Afterthoughts Concerning Relief Pendente Lite*

Prior to the submission of the briefs requested by the Court, SCM apparently grew apprehensive as to whether the prayers for preliminary relief in the amended com-

plaint would pass legal muster.[13] As a result, on January 18, 1974, SCM directed a letter to Xerox which may well be unique in the annals of equity (E753-54). The letter advised that SCM intended to "show the existence of the Court's power to grant a broad range of preliminary injunctive relief" beyond that sought in the amended complaint which, according to SCM, might include:

> "additional kinds of relief described in the Joint Position of Control Data Corporation and other companies (Exhibit 1 to SCM's motion);[14] any other relief fashioned by the Court to ameliorate what, after hearing, the Court may perceive to be continuing and future harm to SCM or the public from violations or threatened violations of law; or any relief needed to preserve the Court's ultimate ability to fulfill the statutory objectives and to grant meaningful final relief" (E754).

SCM thus offered the District Court a blank check—a request for whatever preliminary injunction the Court might see fit to enter—without indicating how SCM could possibly be irreparably injured *pendente lite* by the failure to receive totally unspecified relief.

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13. These prayers—for access to patents, disclosure of secret future plans and restraints against enforcement of non-existent employee covenants—were incorporated by reference in SCM's alternative preliminary injunction motion of November 16, 1973 (A115).

14. The Control Data "position paper" referred to (E777-88) was submitted by several of IBM's competitors to the Justice Department in the Government's monopolization case against IBM. The paper suggested "interim" relief that the Government should seek to take effect *after* a final adjudication that IBM had violated the law but before all the complicated terms of a final decree could be formulated, a process which it was feared might take years. It had nothing whatsoever to do with *preliminary* injunctive relief, as the paper itself made most explicit: "The underlying assumption of this Memorandum is that the government will establish a monopolization violation at the trial, and a monopolization finding necessarily means that the District Court will have found that IBM has the power to exclude competitors from the market" (E779). The *IBM* case has not yet been tried, and the Government has not moved for any such relief.

SCM in due course followed up its letter with an opening brief. The brief referred to three additional kinds of preliminary relief which SCM asserted "the Court may grant" (E479).

SCM argued that the Court had "equitable power to require Xerox to license unpatented technology to SCM" (E487)—technology which was admittedly secret (E486). In addition, SCM asserted that the Court "has the power to anesthetize Xerox' control [over Rank Xerox, a joint venture with The Rank Organisation in which Xerox has a 51% voting interest] and to minimize to the extent possible any future antitrust consequences flowing from that control" (E490), including the entry of an order preventing Xerox from getting the exclusive benefits of any Rank Xerox developments (E491). And SCM also contended that "the Court possesses the power preliminarily to restrain Xerox against any future acquisitions of the stock or assets of any other company, as well as the future acquisition of any patented or unpatented technology" (E491).[15]

No explanation was given as to why any of these possible items of relief was now required to avoid irreparable injury when no such need had been perceived when the complaint and amended complaint were filed.

SCM's reply brief treated the Court to still another spate of "conceivable" preliminary injunctive remedies. SCM asserted that "the Court possesses the power, on a proper showing," to prohibit further enlargement of Xerox' professional and technical staff; prohibit acquisition of exclusive control of patented or unpatented technology developed by Battelle since the commencement of the ac-

15. SCM did not expressly request the Court to grant such relief, contenting itself with the statement that the three remedies were within the Court's equitable power, depending on the evidence to be adduced at the requested hearing.

tion; prohibit acquisition of relevant technology from anyone; prohibit any new cross-licensing agreements which gave Xerox exclusive use of relevant technology; and restrain "Xerox from performing any other new acts upon a sufficient finding that such acts will constitute likely further violations of the antitrust laws or perpetuate further likely unlawful effects of such violations" (E563).

Xerox' briefs below presented the legal authorities and arguments in support of its contention that, as a matter of law, SCM could not obtain a preliminary injunction even assuming, *arguendo,* that SCM could establish a substantial likelihood of success on the merits of its claim of antitrust violation.[16] In addition, Xerox formalized the unilateral undertaking its counsel had made at the first pretrial conference which obviated SCM's principal request for relief —access *pendente lite* to Xerox' patents. Xerox categorically stated that, "should it choose to commence a patent infringement action against SCM, it will *not* seek a preliminary injunction to enjoin the infringement during the pendency of the suit" (E387). Moreover, Xerox further undertook "that it will not seek a preliminary injunction against any SCM supplier in any infringement suit"

16. Obviously, the reason why Xerox was willing to make this assumption, *arguendo,* when the issue of violation is sharply contested by Xerox' answer (A98-108), was in order to avoid a protracted preliminary injunction trial which was "doomed to failure" (A139) in view of SCM's plain inability to satisfy the other legal criteria which are conditions precedent to the grant of such extraordinary relief. If such a trial were to take place, Xerox, needless to say, would not stand before the District Court as a wrongdoer; on the contrary, the burden would be squarely on SCM to establish its allegations of illegality. The Court would, of necessity, be obliged to adjudicate a plethora of complex factual and legal issues, including, *inter alia*: the definition of the relevant market; the genesis and extent of Xerox' patent position; the nature and legality of its patent licensing practices; the technological capabilities of Xerox' competitors; the extent of Xerox' power over prices; whether it has the power to exclude competitors; whether Xerox has monopoly power; and, if so, whether such power was wilfully acquired or maintained.

(E392); and that it would not commence any "infringement action against an end user of any competitive machine covered by a Xerox patent" (*Id.*). With respect to SCM's request for an injunction prohibiting Xerox from enforcing post-employment covenants not to compete, Xerox represented that it had "formally abandoned all such agreements, none of which is presently in force" (E371).

Throughout this entire history, SCM never once submitted to the District Court, by affidavit or offer of proof, any factual basis whatever for its conclusory assertion that it faces irreparable injury if preliminary relief is not forthcoming. And it was that fatal omission on which the District Court focused during a full day of oral argument on March 6, 1974 (E583-752).

SCM's position on oral argument was that, despite its admitted failure to present facts by affidavit on the irreparable injury issue, it was automatically entitled to an extended evidentiary hearing because it alleged irreparable injury in its complaint. As stated by SCM's counsel:

> "SCM's showing, both on irreparable injury and on the probability of success, will rise or fall on the evidence that it adduces at the hearing . . ." (E637).

SCM was most explicit as to the type of hearing it contemplated—a full-dress mini-trial of a case charging worldwide monopolization which SCM estimated would require "no longer than three weeks" *for its case alone.*[17]

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17. "The Court: There is another thing I am curious about. I want to have some idea about what you have in mind doing if you get over this hurdle, what kind of a hearing do you have in mind?

Mr. Kaye: Your Honor, we have in mind a hearing in which we will introduce evidence, largely documentary, through witnesses: that is, through SCM witnesses and through Xerox witnesses to sup-

(footnote continued on next page)

This estimate, of course, made no allowance for the presentation of Xerox' case; and it stands to reason that Xerox would require as much trial time as SCM. In short, the District Court was confronted by the prospect of a protracted preliminary injunction trial of many weeks duration which, of course, would be only a prelude to another protracted trial on the merits after the parties obtained the benefit of full pretrial discovery of the relevant facts.

Before launching such an enterprise, the Court made it clear that it desired more than SCM's mere conclusory allegation of irreparable injury. On seven separate occasions in the course of the argument the Court pressed SCM's counsel for a particularized showing (by affidavit or offer of proof) of the manner in which such injury would be incurred—a showing which SCM was unwilling (and presumably unable) to make. The following excerpts from the colloquy are illustrative:

> "The Court: One thing I am wondering is whether perhaps there is something you need to do in between the allegation of irreparable injury, which is where you are at now, and the full development of a record of witnesses, which is what you contemplate. I am wondering whether you need to in some fashion particularize your claim of irreparable injury, because it's very easy for anybody to say there is going to be irreparable injury, and I am not sure that just saying that precipitates a full dress hearing" (E637-38).

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port our showing of probability of success, if not greater, and to support our showing of irreparable injury to SCM and to the public . . . .

The Court: How many witnesses do you have in mind?

Mr. Kaye: Well, I could tell better at this stage, because we have been attempting to prepare for it and on the basis—we believe that we can put on our case within two weeks, that is, two trial weeks. We think that as all lawyers that we make mistakes, we think that it will—that is, SCM's case will take no longer than three weeks" (E667-68).

"The Court: . . . Now, I am a little concerned whether . . . there is not some obligation on the plaintiff seeking what is at least the unusual, if not unprecedented, remedy of a preliminary injunction in [a] Section 2 case to particularize the claim of irreparable injury, rather than standing on the somewhat conclusory allegation that, yes, we have been or will be irreparably injured, and what I'm wondering is whether your burden is not only to particularize your claim, but perhaps to make a rather extensive presentation by affidavit and offer of proof on what it is that ought to require this hearing.

"After all, many preliminary injunctions, in general, and in antitrust, in particular, have been resolved on affidavits. They have not been multi-week trials, and I am not sure that Xerox needs to accelerate its discovery and prepare witnesses and even come in prepared to cross examine your witnesses until there has been an adequate demonstration on affidavit that at least you have a precise claim of irreparable injury, rather than just the naked pleading" (E677-78).

* * *

"Mr. Kaye: We think that your Honor need[s] no further papers on the question of irreparable injury . . . .

"The Court: . . . One of the things that has been done in this type of suit, Judge Weinfeld has done it, is to require before trial on merits a very detailed presentation of proposed findings of fact so that it will be clear what the plaintiff intends to prove and try to see if the issues can be narrowed. If that's appropriate on the merits, it seems to me it's very appropriate in advance of the rather unusual, if not unprecedented request for preliminary relief in a Section 2 case. So it doesn't necessarily follow that once you get past the motion to dismiss, you are into the trial" (E690-91).

* * *

"The Court: . . . [T]he suggestion that's been raised is not that the factual dispute should be resolved

on the basis of affidavits, only that you should have to, in effect, make an offer of proof to see if your factual claims, once detailed, are sufficient, but not to resolve conflicts between the facts alleged, that's quite a different point" (E728-29).[18]

7. Xerox' Unilateral Representations and License Offer

During the oral argument, Xerox' counsel reiterated Xerox' undertakings with respect to possible patent litigation against SCM, its suppliers or customers during the pendency of this action.[19] What is more, since the undertaking not to seek preliminary relief against infringement by SCM in effect provided SCM with a *de facto* license *pendente lite,* Xerox offered to grant SCM such a license on the machines it was marketing and developing (E601).

As for the post-employment covenants not to compete, Xerox' counsel stated once again that such agreements had been abandoned and were not being enforced (E714). Apparently unwilling to accept such assurances formally made in open court,[20] SCM's counsel strained to keep the issue alive by arguing that "the pleadings put the question in issue" (E654), that, based on two documents and a Xerox interrogatory answer, he was not satisfied on the point, and that a factual hearing would be needed to resolve it.

At the conclusion of the oral argument, the District Court requested Xerox to embody its several unilateral undertakings and license offer in a letter to the Court with copies to SCM's counsel (E709). Xerox promptly did so on March 8, 1974 (E759-60). In addition to formalizing

18. *See also,* E680-82, E682-83, E694-95.

19. *See* pp. 16-17, *supra.*

20. "Mr. Kaye: We have no facts whatsoever that they will not enforce those agreements. We have no evidence whatsoever" (E655). *See* SCM's brief at p. 18.

its representations with respect to patent matters,[21] Xerox set at rest the matter of post-employment covenants by enclosing an explanatory memorandum (E761-62) and a copy of a communication previously directed to every Xerox employee in October 1973 (E768-70) which made it crystal clear that no post-employment covenants are now effective. At the same time, Xerox formally undertook "not to enter into any such covenant with any employee during the pendency of this action" (E760).

B. The Ruling Appealed From

On April 19, 1974, the District Court rendered its decision denying SCM's motion for a preliminary injunction (A132-39). The Court noted first that, despite the amended complaint's allegations that Xerox has violated Section 1 of the Sherman Act and Section 7 of the Clayton Act, "the gravamen of the action appears to be SCM's claim that Xerox has monopolized and attempted to monopolize the skill and technology, manufacturing, and marketing of plain paper office copiers" (A132); and that a motion for a preliminary injunction in a Section 2 case is "certainly un-

21. The representations were as follows: During the pendency of this action, with respect to the United States, Canada and Latin America, Xerox would not (1) seek a preliminary injunction against patent infringement respecting plain paper copiers by SCM or any supplier of SCM; (2) commence any patent infringement action concerning plain paper copiers against SCM or any supplier of SCM without first giving 90 days written notice to SCM and any other prospective defendant; or (3) commence any patent infringement action concerning plain paper copiers against any end user of such copiers manufactured or sold by SCM (E759). Xerox also offered, with respect to the United States, Canada and Latin America, to grant SCM a non-exclusive license bearing a 4% non-refundable royalty, effective during the pendency of this action, under any Xerox patent which covers either the plain paper copier presently being marketed by SCM or the copier it is presently developing in conjunction with Minolta (E760). With respect to countries where Rank Xerox has pertinent rights, Xerox made all of the above undertakings to the extent that Xerox has the legal authority to accomplish them (*Id.*).

usual" (*Id.*).[22] Observing next that the denial of a preliminary injunction without a hearing is, albeit rare, not unprecedented, the Court underscored that Xerox' claim of legal insufficiency "is entitled to consideration because at issue is not simply the presentation of affidavits supplemented by a few days of testimony, but in all likelihood a full-dress trial on the merits that will be measured in weeks or even months"—and which would have to be repeated *in toto* in light of the fact that the "case has been claimed to a jury" (A133).[23]

The Court then turned to the "threshold question [of] the determination of the precise extent of the preliminary relief that SCM is seeking" (A134). Acknowledging that the "Court's power to fashion an appropriate interim remedy is not circumscribed by the specifics of a plaintiff's motion" (*id.*), the Court nevertheless pointed out:

> "[P]laintiff's entitlement to a hearing . . . ought to be tested with reference to the specific relief it is seeking. If it is not entitled to the relief it is seeking, it should not be able to precipitate a protracted hearing that will require exploration of the merits of the suit simply in the hope that at the conclusion of the hearing the Court will fashion some appropriate remedy" (A134).

22. Indeed, the only Section 2 monopolization case of which we are aware in which preliminary injunctive relief was even sought was *Philadelphia World Hockey Club, Inc.* v. *Philadelphia Hockey Club, Inc.*, 351 F. Supp. 462 (E.D. Pa. 1972), which the District Court properly distinguished as involving "a precise practice of the defendant, the reserve clause in players' contracts, rather than the defendant's overall monopoly power" (A132-33).

23. In light of *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500 (1959), and its progeny, and Xerox' timely demand of a jury trial on all issues relevant to SCM's damage claim, any findings made by the Court after a preliminary injunction hearing could not be binding at the trial on the merits; and all the evidence adduced at the hearing would have to be repeated before the jury. *See Boise Cascade Int'l, Inc.* v. *Northern Minnesota Pulpwood Producers Ass'n*, 294 F. Supp. 1015 (D. Minn. 1968); 7 J. Moore, *Federal Practice* ¶65.04[6] at p. 65.71 (2d Ed. 1973).

Since, despite its almost endless list of "conceivable" remedies, SCM had specifically requested only those set forth in the amended complaint, the Court considered each of those in turn and ruled:

1. *Secret Plans*—No hearing was required with respect to this request because "in no event would a preliminary injunction issue to provide such relief" (A135). To disclose Xerox' secret plans to its competitor would irrevocably change the status quo since, should Xerox prevail on the merits, it could not regain their secrecy; hence such relief would "be far beyond the legitimate scope of a preliminary injunction" (A135).

2. *Employee Covenants*—Here, as well, a preliminary injunction would "in no event" be available. Xerox' formal representation that no such covenants are in effect and none would be entered into during the pendency of this action either mooted this claim for preliminary relief or "at least makes it apparent that SCM can suffer no irreparable injury for lack of such relief" (A135).[24]

3. *Patents*—No hearing was required to determine whether SCM's request for access to Xerox' patents *pendente lite* should be granted for several reasons.

First, such relief would create "a substantial change in the status quo" since "[a]t no time prior to this litigation did SCM have a right to the Xerox patents or to immunity from an action for infringing them" (A136-37). The relief, accordingly, "would create new positions that are appropriate only if SCM wins this lawsuit. That is not the function of a preliminary injunction" (A137).

24. In this connection, the Court noted that "SCM has made no claim that it is presently precluded from obtaining the unrestricted services of a former Xerox employee because of a non-competitive covenant" (A135). *See* E657-59.

Second, SCM's claim of irreparable damage for lack of access to Xerox' patents was "undermined" by the acknowledged fact that it already had a plain paper copier —purchased from Van Dyk Research Corp.—on the market. Even if Xerox' alleged monopoly power might reduce the share of the market SCM might attain, such "reduction in market share, as distinguished, possibly, from inability to enter the market at all, is plainly compensable in money damages" (A137).[25]

Third, in light of Xerox' undertakings (1) not to seek preliminary injunctive relief against patent infringement by SCM or its suppliers, (2) not even to commence patent infringement litigation against them without 90 days notice, and (3) not to sue end users of SCM's machines at all, SCM's claim of irreparable injury without access to Xerox' patents eroded "below the level where equitable relief would be appropriate"[26] (A138).

In sum, the Court concluded:

> "Because the relief it seeks would alter the status quo in ways beyond the function of a preliminary injunction, and because it cannot show irreparable injury for lack of the particular forms of preliminary relief it seeks, its motion for a preliminary injunction is doomed to failure, and a protracted hearing to explore the probability of success on the merits is not needed. The motion for a preliminary injunction is denied" (A139).

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25. SCM obtained rights to the Van Dyk machine in December 1973 and introduced it in early 1974, six months after this action was commenced (E282). In short, when SCM originally filed its motion for a preliminary injunction claiming exclusion from the plain paper copier field, it had not yet entered that alleged market; but by the time its renewed motion was argued, SCM had effectuated an entry —further subverting its claim of irreparable injury.

26. The Court noted that Xerox' undertakings outside the Western Hemisphere were the same as those applicable to the United

(footnote continued on next page)

ARGUMENT

I

The District Court properly denied SCM's motion for a preliminary injunction as a matter of law because the relief requested was beyond the proper function of this extraordinary remedy, and SCM could not possibly suffer irreparable injury if such relief were not granted, especially in light of Xerox' undertakings.

A. The Standards Governing the Issuance of a Preliminary Injunction

A preliminary injunction is an extraordinary remedy because it curtails a party's conduct *pendente lite* prior to a definitive adjudication of any wrongdoing. Recognizing the potential for injustice inherent in any remedy granted prior to a plenary trial at a time when the merits of a claim cannot be fully explored, equity has carefully circumscribed the availability of such a remedy to cases involving genuine urgency. This is not a matter of technicality but goes to the heart of the concepts of fundamental fairness and common sense which animate courts of equity.

The District Court, confronted with a request for a multi-week evidentiary mini-trial of this highly complex monopolization case, denied SCM's motion because, even if SCM were able to establish a substantial likelihood of success on the issue of antitrust violation, it could not satisfy two other essential conditions: that a preliminary injunction may be utilized only (1) to preserve or restore the status quo; and (2) to prevent the moving

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States, Canada and Latin America "to the extent that Xerox has the legal authority to accomplish them." While this would not necessarily give SCM worldwide protection, Xerox' undertakings as a whole were deemed sufficient to erode the claim of irreparable injury below that required for the grant of preliminary relief (*Id.*).

party from suffering immediate irreparable injury.[27] These principles are so well-settled that it suffices to set forth the supporting authority summarily.

1. *Preservation of the Status Quo*—No doctrine is more firmly rooted in equity jurisprudence than that the function of a preliminary injunction is to preserve the status quo between the parties during the pendency of suit to avoid a change which would irreparably injure the plaintiff prior to final adjudication. *See, e.g., Hamilton Watch Co.* v. *Benrus Watch Co.,* 206 F.2d 738, 742 (2d Cir. 1953); *United States* v. *Adler's Creamery, Inc.,* 107 F.2d 987, 990 (2d Cir. 1939); *Willheim* v. *Investors Diversified Services, Inc.,* 303 F.2d 276, 277 (2d Cir. 1962); *Checker Motors Corp.* v. *Chrysler Corp.,* 405 F.2d 319, 323 (2d Cir. 1969), *cert. denied,* 394 U.S. 999 (1969). Since the status quo, in this context, means "the last uncontested status which preceded the pending controversy,"[28] preliminary injunctions may be granted either (a) to *preserve* the parties' status as of the time suit is instituted[29] or (b) to *restore* a prior status which existed before the controversy arose.[30]

27. As stated by this Court in *Checker Motors Corp.* v. *Chrysler Corp.,* 405 F.2d 319, 323 (2d Cir. 1969), *cert. denied,* 394 U.S. 999 (1969): "The purpose of a preliminary injunction is to maintain the status quo pending a final determination of the merits. . . . It is an extraordinary remedy, and will not be granted except upon a clear showing of probable success *and* possible irreparable injury" (emphasis by the Court).

28. *Westinghouse Electric Corp.* v. *Free Sewing Machine Co.,* 256 F.2d 806, 808 (7th Cir. 1958). *Accord, Washington Capitols Basketball Club, Inc.* v. *Barry,* 419 F.2d 472, 476 (9th Cir. 1969); *District 50, UMW* v. *Int'l Union, UMW,* 412 F.2d 165, 168 (D.C. Cir. 1969); *Warner Bros. Pictures, Inc.* v. *Gittone,* 110 F.2d 292, 293 (3d Cir. 1940).

29. *E.g., Hamilton Watch Co.* v. *Benrus Watch Co.,* 206 F.2d 738 (2d Cir. 1953) (prohibition of acquisition).

30. *E.g., Danielson* v. *Local 275, Laborers Int'l Union of North America,* 479 F.2d 1033 (2d Cir. 1973) (prohibition of picketing, thus restoring conditions prior to the controversy).

The law is equally clear that a preliminary injunction may *not* issue if it would alter the status quo by placing the complainant in a position never before occupied.[31] The rationale of this principle derives from the drastic nature of the relief. Since a preliminary injunction restrains prior to a full adjudication of the parties' rights, its limited function, as Judge Frank put it in *Hamilton Watch*, is to serve "as an equitable policing measure . . . to keep the parties, while the suit goes on, as far as possible in the respective positions they occupied when the suit began" (206 F.2d at 742). Hence, relief whose effect is "to alter the prior status of the parties fundamentally . . . may be directed only after final hearing . . . ." *Warner Bros Pictures, Inc.* v. *Gittone*, 110 F.2d 292, 293 (3d Cir. 1940).[32]

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31. *Warner Bros. Pictures, Inc.* v. *Gittone*, 110 F.2d 292, 293 (3d Cir. 1940) (reversing preliminary injunction requiring defendant motion picture distributors to grant plaintiff exhibitors first-run licenses); *Meiselman* v. *Paramount Film Distr. Corp.*, 180 F.2d 94, 97 (4th Cir. 1950) (affirming denial of preliminary injunction ordering defendant to supply plaintiff for first time with first-run films); *Barbys Frosted Foods, Inc.* v. *McDonald's Corp.*, 1973-2 Trade Cas. ¶74,622 (D.N.J. 1973) (denying preliminary injunction requiring defendant to approve plaintiff as a supplier of frozen meat); *Pitman-Moore, Inc.* v. *Dow Chemical Co.*, Civ. No. 480-73 (D.N.J. 1973) (unreported; reproduced at E405) (denying preliminary injunction mandating disclosure of know-how and granting of product rights).

32. SCM attempts (Br., pp. 46-49) to avoid the force of this principle by citing several inapposite cases. *National Association of Letter Carriers* v. *Sombrotto*, 449 F.2d 915 (2d Cir. 1971), arose in a unique statutory context in which a national union, acting pursuant to statute, imposed a trusteeship upon a local union which was presumptively valid for 18 months. A preliminary injunction to enforce the trusteeship was issued because the "statutory scheme . . . evidences an expectation that disputes over trusteeships would be litigated with the trusteeship in effect" (*Id.* at 921). *Danielson* v. *Local* 275, 479 F.2d 1033 (2d Cir. 1973), ordered a preliminary injunction against picketing, thus restoring conditions to their last uncontested status before picketing commenced. In *Interphoto Corp.* v. *Minolta Corp.*, unreported (S.D.N.Y. 1969), *aff'd*, 417 F.2d 621 (2d Cir. 1969), the District Court entered a supplemental preliminary injunction requiring Minolta to ship goods to the plaintiff in California (where deliveries had not previously been made) to prevent

(footnote continued on next page)

2. *Irreparable Injury*—In a series of decisions this Court has established that a preliminary injunction may issue only if one of two alternative standards is satisfied. As stated most recently in *Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.*, No. 74-1172 (2d Cir. July 3, 1974) at p. 4664:

> "The standard factors which this court now considers upon an application for a preliminary injunction are well-known: (1) clear likelihood of success on the law and the facts then available and possible irreparable injury, or (2) sufficiently serious questions on the merits making them fair ground for litigation and a balance of the equities tipping decidedly in favor of preliminary relief."

The common denominator of *both* alternatives is the requirement that the plaintiff establish an immediate threat of irreparable injury if relief is not granted—a prerequisite which this Court has denoted "the most significant condition which must be present to support the granting of

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an indirect violation of a prior order forbidding post-sale territorial restrictions; since the plaintiff at all times had a legal right to be free from such unlawful restraints, the supplemental injunction did not afford plaintiff a new status. As for *Unicon Management Corp.* v. *Koppers Co.*, 366 F.2d 199 (2d Cir. 1966), this Court squarely held that "the order does serve to maintain and preserve the status quo, inasmuch as it does reflect Koppers' right of ultimate control, and in doing so, prevents the dissipation of the business and the possible loss of records" (*Id.* at 204). And *Philadelphia World Hockey Club, Inc.* v. *Philadelphia Hockey Club, Inc.*, 351 F. Supp. 462 (E.D. Pa. 1972) —the precedent most heavily relied upon by SCM both below and in this Court—was correctly distinguished by the District Court as involving "a precise practice of the defendant, the reserve clause in players' contracts, rather than the defendant's overall monopoly power" (A132-33). Finally, the suggestion by the editors of the Harvard Law Review (78 Harv. L. Rev. 994, 1057 (1965)) that the status quo principle does not apply to statutory violations is simply incorrect, particularly insofar as the antitrust laws are concerned, in light of the Clayton Act's express direction that "the rules governing . . . proceedings [in equity]" apply in private injunctive antitrust cases. 15 U.S.C. §26. *See* cases cited at pp. 26-27, *supra*.

a temporary injunction . . . ." *Capital City Gas Co.* v. *Phillips Petroleum Co.,* 373 F.2d 128, 131 (2d Cir. 1967).[33]

When the plaintiff is able to demonstrate a substantial likelihood of success on the merits, he must then go further and show a threat of irreparable injury. If the showing on the merits is less clear, and the plaintiff merely raises sufficiently serious questions to make them fair ground for litigation, the Court must find not only a threat of immediate irreparable injury but in addition that such irreparable harm decidedly outbalances the harm to the defendant if relief is granted. This was made explicit by Judge Frank in *Hamilton Watch,* "the *fons et origo* of the second branch of the rule":[34]

> "The judge must consider whether irreparable harm is likely to result to plaintiff if *pendente lite* (*i.e.,* 'immediately') the injunction is denied, and against this harm he must balance the harm to defendant likely to result if the relief is granted" (206 F.2d at 743).[35]

In private injunctive antitrust actions such as this, the equitable requirement of irreparable injury is not only established by well-settled equitable principles; it is mandated by statute. Section 16 of the Clayton Act, 15 U.S.C. §26, expressly provides that a preliminary injunction may

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33. *Accord, e.g., Foundry Services, Inc.* v. *Beneflux Corp.,* 206 F.2d 214, 216 (2d Cir. 1953) ("It is well settled that, absent a showing of irreparable injury of some kind, no injunction *pendente lite* should be granted . . . .")

34. *Missouri Portland Cement Co.* v. *Cargill, Inc.,* Nos. 74-1024, 74-1025 (2d Cir. June 10, 1974) at 4076.

35. SCM is thus incorrect when it asserts (Br., p. 40) that "as the showing of likelihood of ultimate success on the merits grows stronger, a preliminary injunction may be granted on a lesser showing of irreparable injury." No matter how strong a case the plaintiff may present on the merits, it must establish immediate irreparable injury. As the Supreme Court recently stated in *Sampson* v. *Murray,* 39 L. Ed. 2d 166, 186 n.63 (1974), "irreparable injury . . . is a separate issue that must be proved to the satisfaction of the Court by the person seeking equitable relief."

be issued only upon *"a showing that the danger of irreparable loss or damage is immediate. . . ."*[36] Congress thus drew a sharp distinction between the showing required in a government antitrust action[37] and that which a private suitor must make. The fact that there is a public interest in antitrust enforcement, or that SCM may denominate itself a "private attorney general," does not impair this statutory distinction in the slightest.[38]

The law is also well settled as to what constitutes the irreparable injury that is a prerequisite to the grant of a preliminary injunction. By definition, the nature of the injury must be such that it cannot later be repaired. As the Supreme Court declared in *Sampson* v. *Murray,* 39 L. Ed. 2d 166, 187 (1974):

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36. In the District Court SCM argued—in the teeth of Section 16's express mandate—that it sufficed to show irreparable injury to the public as distinguished from itself (E455-57). This patently erroneous argument is not advanced on this appeal.

37. Section 15 of the Clayton Act, 15 U.S.C. §25, which applies to suits by the Department of Justice, permits such preliminary relief "as shall be deemed just in the premises" and does not add Section 16's express requirement of immediate irreparable injury.

38. The public interest is presently being pursued by the Federal Trade Commission in a broad-based proceeding, commenced six months before the advent of SCM as a private suitor, asserting all of the antitrust violations by Xerox asserted by SCM. FTC Dkt. 8909, filed January 16, 1973. As this Court recently pointed out in affirming Judge Palmieri's denial of a preliminary injunction in *Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc., supra,* "institution of litigation by the Justice Department . . . takes the ground from under appellants' argument that they are the vindicators of the 'public interest'; indeed, the public's interest is transcendent of and more complex than, not co-extensive with, the appellants' own interests" (Slip Opinion at 4668). *See also,* Judge Palmieri's opinion in that case, 1974 Trade Cas. ¶74,912 at pp. 96,100-01 (S.D.N.Y. 1974).

SCM's reference to *Gulf & Western Industries, Inc.* v. *Great Atlantic & Pacific Tea Co.,* 476 F.2d 687 (2d Cir. 1973), takes it nowhere. Far from dispensing with Section 16's requirement of irreparable injury, this Court stressed the fact that the District Court's ruling (which it affirmed) was premised "above all else" on the irreparable harm which A&P would suffer in the absence of preliminary relief (*Id.* at 698).

> "'The key word in this consideration is *irreparable.* Mere injuries, however substantial in terms of money, time and energy necessarily expended in the absence of [an injunction], are not enough. The possibility that adequate compensatory or other corrective relief will be available at a later date, in the ordinary course of litigation, weighs heavily against a claim of irreparable harm.'" (Quoting from *Virginia Petroleum Jobbers Ass'n* v. *FPC,* 259 F.2d 921, 925 (D.C. Cir. 1958) (emphasis by the Court).

Put another way, the requirement of irreparable injury is an aspect of the classic principle that an equitable remedy cannot be afforded when there is an adequate remedy at law in money damages. *E.g., Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.,* No. 74-1172 (2d Cir. July 3, 1974) at pp. 4666-67; *Foundry Services, Inc.* v. *Beneflux Corp.,* 206 F.2d 214, 216 (2d Cir. 1953); *Heldman* v. *United States Lawn Tennis Ass'n,* 354 F. Supp. 1241, 1249 (S.D.N.Y. 1973); *Shelley* v. *The Maccabees,* 183 F. Supp. 681, 684 (E.D.N.Y. 1960).

A finding of immediate irreparable injury also presupposes an urgent need for relief—a need which is belied by a plaintiff's inordinate delay in seeking equitable intervention. As Judge Palmieri held in *Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.,* 1974 Trade Cas. ¶74,912 at p. 96,099 (S.D.N.Y. 1974), *aff'd,* No. 74-1172 (2d Cir. July 3, 1974) at p. 4668:

> "A motion for a preliminary injunction is necessarily predicated on an urgent need for speedy relief in order to preserve and protect the rights of the moving party. But the dilatory behavior of the plaintiffs in seeking such relief must be deemed to demonstrate a lack of urgency under the circumstances as well as casting considerable doubt on the necessity for precipitate and drastic relief. While this may be insufficient to bar

> permanent injunctive relief after trial, it may equitably foreclose the plaintiffs from complaining of delays which ordinarily precede a full trial of all the issues."

Accord, e.g., Veterans of Foreign Wars v. *Durable Outfitters Inc.*, 88 F. Supp. 731, 732 (S.D.N.Y. 1949) (Kaufman, J.); *Lunkenheimer Co.* v. *Condec Corp.*, 268 F. Supp. 667, 672 (S.D.N.Y. 1967); *American Fabrics Co.* v. *Lace Art, Inc.*, 291 F. Supp. 589, 592 (S.D.N.Y. 1968).[39]

The legal principles applicable to the issuance of a preliminary injunction in a private antitrust action are thus well settled and beyond dispute: (1) A plaintiff may obtain such relief to preserve or restore the status quo, but not to secure a new status never previously enjoyed; and (2) In no event may the extraordinary remedy issue absent a showing that the plaintiff will otherwise suffer immediate irreparable injury. Since SCM's motion for an injunction *pendente lite* was plainly deficient on these counts, the District Court declined SCM's invitation to hold a protracted trial to determine the academic question of whether SCM could establish a substantial likelihood of success on the issue of antitrust violation. As we shall demonstrate, this ruling was correct with respect to the specific relief

39. SCM misconceives the nature of this principle when it argues that Xerox relies on a "laches" defense (Br., pp. 51-52). Xerox made no claim on this motion that SCM's antitrust action is barred by laches, but only, in Judge Palmieri's words in *Columbia Pictures*, that delay, while it "may be insufficient to bar permanent injunctive relief after trial . . . may equitably foreclose the plaintiffs from complaining of delays which ordinarily precede a full trial of all the issues"—a holding affirmed by this Court, slip opinion at p. 4668. Thus, SCM's reliance on *International Telephone & Telegraph Corp.* v. *General Telephone & Electronics Corp.*, 296 F. Supp. 920 (D. Haw. 1969), which held a laches defense on the merits unavailable in an antitrust case, is inapposite. And *Love* v. *Atchison, Topeka & Sante Fe Ry.*, 185 Fed. 321 (8th Cir. 1911), is likewise beside the point because the railroads' "acquiescence" there in the utilization of confiscatory rates was "under protest, under the penalty of drastic fines" (*Id.* at 332).

sought by SCM in its motion (as defined in its amended complaint) and the host of other "conceivable" remedies which the District Court allegedly was empowered to grant.

B. The Specific Relief Sought in SCM's Motion

SCM's renewed preliminary injunction motion (A115) sought "the preliminary injunctive relief requested in paragraphs 49 through 53 of the First Claim of its amended complaint." That relief fell into three categories:

(1) Abrogation of employee covenants not to compete (¶53, A92);

(2) Disclosure of Xerox' manufacturing and marketing plans (¶52, A92); and

(3) Freedom from assertion of Xerox' patent rights by mandatory patent license and injunction against infringement suits (¶¶49-51, A91-92).

We shall discuss each of these categories seriatim.

1. *Employee Covenants.* Xerox' formal representation that no post-employment covenants not to compete are presently in effect and its unequivocal undertaking not to enter into any such agreements during the pendency of this lawsuit completely dispose of SCM's request for preliminary relief directed to such covenants. As the District Court held, Xerox' "undertaking, if it does not moot the claim for preliminary injunctive relief with respect to such covenants, at least makes it apparent that SCM can suffer no irreparable injury for lack of such relief" (A135).[40] SCM's astonishing refusal to accept Xerox' unambiguous representations and its insistence on an evidentiary hearing to

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40. As Professor Moore notes, "irreparable injury is not shown when there is no showing that defendant is attempting to do, or intends to do what the plaintiff seeks to have enjoined." 7 J. Moore, *Federal Practice* ¶65.04[1] at p. 65-42 n.7c (2d Ed. 1973).

establish its right to relief enjoining enforcement of non-existent agreements (Br., p. 41) is convincing proof of SCM's real purpose on this motion—to achieve a premature trial and advisory opinion on the merits of its monopolization claim. This is transparently clear in light of the fact that SCM does not even claim that there is a single present or former Xerox employee who wants to work for SCM but has been restrained from doing so by virtue of a covenant with Xerox (E657-58; A135). By continuing to advance this prayer for relief, SCM is grasping at straws.

2. *Secret Plans.* SCM's request for an unprecedented injunction ordering the disclosure *pendente lite* of Xerox' secret manufacturing and marketing plans is also patently improper for two reasons: (a) such relief would change the status quo—and permanently to boot—by affording SCM a never-before enjoyed status; and (b) any claim of irreparable injury if such plans are not disclosed is totally ephemeral.[41]

Despite SCM's contention that "each of the particular forms of relief described in ¶¶49 to 53 of the amended complaint . . . are designed to maintain the *status quo* at the commencement of the action" (Br., pp. 43-44), disclosure of Xerox' secret plans to its competitor unquestionably would create, in the District Court's language, "a significant change in the status quo" (A135). What is more, as the District Court noted, such a change in the parties' status would be "an irrevocable one . . . far beyond the legitimate scope of a preliminary injunction. If Xerox prevails on the merits, it will not be able to return its plans to their current position of secrecy" (A135). SCM cannot be serious in

41. SCM cites no case, and we are aware of none, in which a preliminary injunction ordered the disclosure of secret future plans prior to a full adjudication of wrongdoing.

suggesting that Xerox could be protected "with a direction to SCM to return and not use the information at the end of the case if SCM should lose, with a bond or with other means" (Br., pp. 48-49). Once a valuable commercial secret is disclosed, its secrecy is gone forever insofar as the recipient is concerned. SCM's reference to the normal confidentiality provisions in trade secret licenses is totally beside the point since they protect licensors only from disclosure by the licensee to unlicensed third persons—not from disclosure to the licensee itself. And how an injunction bond or unspecified "other means" could conceivably restore the secrecy of Xerox' plans once they are revealed defies the imagination.

Moreover, SCM cannot possibly establish that it would be irreparably injured without access to Xerox' secret plans. To begin with, this particular prayer for preliminary relief was an obvious afterthought, since it was not sought in SCM's original motion and complaint. More fundamentally, SCM has no present need for such relief. It is simply incredible to suppose that SCM cannot compete without access to Xerox' plans when numerous other companies (including Litton, IBM, 3M, Van Dyk, Remington Rand and several Japanese and European companies) are now marketing plain paper copiers without them—not to mention SCM itself, which is presently selling such a product in competition with Xerox.[42]

42. Indeed, SCM would not be entitled to such relief even after a victory at trial. There is no logical nexus between SCM's alleged unlawful exclusion from the manufacture and marketing of plain paper copiers and its desire to obtain access to its competitor's confidential plans. SCM's only argument in support of this request is that, under *Alcoa*, a monopolist may not expand its activities to satisfy future market needs (Br., p. 48). Wholly apart from the fact that *Alcoa* contains no such simplistic holding, the case has nothing to do with supplying a competitor with valuable secret plans.

Finally, disclosure of Xerox' confidential plans to SCM would be inherently anticompetitive. As noted in *American Crystal Sugar Co.* v. *Cuban-American Sugar Co.*, 152 F. Supp. 387, 394 (S.D.N.Y. 1957), *aff'd*, 259 F.2d 524 (2d Cir. 1958), a case which enjoined an acquiring company from voting its stock to obtain representation on a competitor's board of directors:

> "Any such representation would give the nominee of defendant an opportunity to be thoroughly acquainted with the business and plans of the plaintiff company and thereby to limit the effectiveness of the competition between them."

The short of the matter is that by seeking access to Xerox' plans, SCM asked the District Court to confer upon it a totally improper competitive advantage. SCM did not, and could not, offer to show how it would be irreparably injured unless it could pry into Xerox' confidential plans. The District Court was eminently correct in ruling that "in no event would a preliminary injunction issue to provide such relief" (A135).

3. *Access to Patents.* Paragraphs 49 through 51 of the amended complaint sought a number of injunctive provisions all of which, in essence, would accomplish the same result. SCM, its customers and suppliers would be spared during the pendency of this action from any assertion of Xerox' patent rights with respect to the manufacture, use and sale of plain paper copiers—in practical terms a patent license *pendente lite.* The denial of such relief was correct because (a) it would grant SCM a new status as licensee "appropriate only if SCM wins this lawsuit" (A137); and (b) in light of Xerox' undertakings, SCM could not possibly suffer immediate irreparable injury absent the relief (A137-38).

The grant, by preliminary injunction, of a patent license would obviously change the status quo dramatically —contrary to applicable equitable principles (pp. 26-27, *supra*). SCM is no more entitled to obtain such a license *pendente lite* than were the theater owners entitled to first-run film licenses in *Warner Bros. Pictures, Inc.* v. *Gittone*, 110 F.2d 292 (3d Cir. 1940), and *Meiselman* v. *Paramount Film Distr. Corp.*, 180 F.2d 94 (4th Cir. 1950), the meat supplier to a frozen-food supply contract in *Barbys Frosted Foods, Inc.* v. *McDonald's Corp.*, 1973-2 Trade Cas. ¶74,622 (D.N.J. 1973), or the pharmaceutical companies to product rights and know-how in *Pitman-Moore, Inc.* v. *Dow Chemical Co.*, Civil No. 480-73 (D.N.J. 1973) (unreported; reproduced at E405).

Since SCM may not be granted a patent license *pendente lite* because it would thereby attain new status, it may not secure the substantial equivalent of such a license in the form of a prohibitory injunction against the institution or threat of patent infringement suits (Amended Complaint ¶49, A91; Br., p. 46). The absence of any meaningful distinction in this regard between mandatory and prohibitory relief is demonstrated by the *Gittone* and *Meiselman* cases, where the injunctions sought, though prohibitory in form, were nevertheless held improper as affording plaintiffs a new status.

But wholly apart from the status quo doctrine, there is another insurmountable obstacle to SCM's request for a mandatory patent license (or its prohibitory obverse). In the circumstances of this case, and particularly Xerox' undertakings (p. 21 n.21, *supra*), the requested relief is unavailable to SCM because it cannot conceivably suffer irreparable injury if the relief is not granted.

We deal first with Xerox' undertakings with respect to the United States, Canada and Latin America—where

Xerox' legal authority to act is unencumbered by the rights of The Rank Organisation, which has a 49% voting interest in Rank Xerox. Xerox has represented that, should it choose to commence a patent suit against SCM *pendente lite*, it will not seek a preliminary injunction to enjoin the infringement during the pendency of such a suit. This obviates any possibility of irreparable injury resulting from the lack of a patent license. For SCM is as free today to manufacture and market plain paper copiers *pendente lite* without fear of judicial restraint predicated on Xerox' patents as it would be if it were the recipient of a license pursuant to a preliminary injunction. License or no license, SCM can compete during the pendency of this litigation; Xerox' patents in no way impede SCM's already demonstrated ability to market its products.[43] In light of Xerox' undertaking not to seek a preliminary injunction against infringement *pendente lite*, the only harm that SCM could possibly suffer absent a license would be the expense of defending an infringement suit.[44] And such monetary

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43. SCM's assertion (Br., p. 34) that the threat of a Xerox patent suit hangs over its head like a Sword of Damocles is no more than empty rhetoric. Since Xerox will not seek to enjoin infringement until SCM's antitrust claim is adjudicated, whatever "sword" may exist has no edge *pendente lite*.

44. It is absurd to suppose that SCM, with 1973 total assets in excess of $500 million and net sales of $1 billion, could not afford to defend a patent infringement suit. When, on oral argument, SCM's counsel made the incredible assertion that the defense of such litigation might wipe SCM out (E644), the Court asked how SCM expected to pay infringement damages on an injunction bond if a mandatory license were ordered and SCM lost this action on the merits (*Id.*). SCM's counsel replied that such payments "would be substantially less than the enormous sums of money that would be required to engage in full-fledged patent infringement litigation with Xerox during the pendency of this action" (E645). This prompted the Court, incredulously, to inquire whether SCM could afford *this* litigation (*Id.*).

expense—if, indeed, it should ever be incurred—clearly does not constitute irreparable injury.[45]

Moreover, since Xerox has not in fact either brought or threatened to bring a patent infringement suit against SCM, there is no existing threat that whatever minimal monetary injury might be caused by such litigation will in fact occur. To the contrary, in the year since this action was commenced, SCM has entered the plain paper copier field with a product purchased from Van Dyk Research Corporation (E416), and it is continuing its own development work on another plain paper copier which it anticipates will be marketed in 1975 (*Id.;* E282). SCM is thus at this very moment actively competing with Xerox without a license and without the need to defend a patent infringement suit. Having already crossed the bridge, it can hardly assert that it needs a preliminary injunction to transport it across the water.

What is more, Xerox' undertaking to provide SCM with 90 days notice of any intention to commence an infringement suit utterly destroys any possible claim of threatened immediate injury to SCM in that regard. In the event Xerox should ever give such notice, SCM would have ample time to renew its motion and attempt to persuade the District Court that it confronts irreparable injury if the action is not enjoined. *See Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.*, No. 74-1172 (2d

45. SCM's reliance (Br., p. 37) on *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 120 (1969), as an example of the kind of "irreparable injury suffered by SCM by reason of Xerox's unlawful refusal to grant a license," is totally misplaced. The Supreme Court was discussing the issue of "injury to [Zenith's] business" after a trial on the merits, not irreparable injury prior to trial on a preliminary injunction motion.

Cir. July 3, 1974) at pp. 4664, 4670. Even then, the motion would be "doomed to failure" because SCM would have the option either to defend the suit (thus incurring only monetary expense) or to accept Xerox' offer of a license *pendente lite* at a 4% royalty (also incurring only a monetary outlay). Neither of these possibilities amounts to irreparable injury.

In short, insofar as the United States, Canada and Latin America are concerned, there is no way that SCM can be irreparably injured in the absence of a preliminary injunction ordering Xerox to grant it a patent license—a fact underscored by SCM's failure to accept Xerox' offer, made almost five months ago, of such a license *pendente lite* covering the machines SCM is presently marketing and developing. There could be no better proof that SCM's motion is predicated, not on any urgent need, but on a desire for a premature advisory opinion on the merits of its antitrust claim.

Xerox' undertakings with respect to countries in which Rank Xerox has pertinent rights were identical to those made with respect to the United States, Canada and Latin America "to the extent that Xerox has the legal authority to accomplish them" (E760). Since neither Rank Xerox nor The Rank Organisation (which has a 49% voting interest) is a party to this action, were the Court to issue a preliminary injunction it could do no more than require Xerox to do what it "has the legal authority to accomplish." Accordingly, Xerox' undertakings constitute the substantial equivalent of an order of the District Court obliging Xerox to do what it has undertaken. Furthermore, SCM has not been threatened by Xerox or Rank Xerox with any patent infringement suit or other act which would stand in its way abroad. It can thus suffer no possible immediate irrepara-

ble injury if the patent-related relief it requests is not granted as to foreign countries outside the Western Hemisphere.[46]

The District Court's conclusion that SCM "cannot show irreparable injury for lack of the particular forms of preliminary relief it seeks . . ." (A139) is buttressed by the inordinate delay between the time SCM claims it was first threatened with injury from Xerox' alleged monopolization and the time it sought the aid of a court of equity. As we have noted (pp. 31-32, *supra*), such delay weighs most heavily against any litigant's claim that it will be irreparably injured if a preliminary injunction is not granted.

The amended complaint alleges that SCM was excluded from plain paper copier manufacture "no later than 1963" (¶24, A78). It further asserts (¶62, A94) that in 1964 SCM received a patent license from Xerox expressly limited to coated paper copiers. Yet SCM saw fit to wait ten years before commencing suit.

SCM's assertion (Br., p. 52) that it alerted the Federal Trade Commission to Xerox' alleged illegality in 1966 and urged the F.T.C. to take action against Xerox for 3 years following that date hardly negates the inescapable conclusion that SCM's decade-long delay in seeking equitable relief belies the urgency inherent in any claim of irreparable injury. Surely SCM was aware that the Commission does

46. Solely on the strength of *United States* v. *Columbia Steel Co.*, 71 F. Supp. 734 (D. Del. 1947), SCM asserts that it was erroneous for the District Court to rely on Xerox' undertakings without holding the extensive evidentiary hearing SCM requested (Br., p. 42). That case is totally beside the point. The issue there was whether the court could enter a preliminary injunction on terms proposed by the defendant and opposed by the government. The court held that it had no power to enter such an injunction without a hearing because F.R. Civ. P. 65 required it to make findings of fact before a preliminary injunction could issue. Here, *per contra,* no injunction may issue because SCM cannot be irreparably injured; and Xerox' formal undertakings underscore the absence of any such irreparable injury.

not act instantaneously; that the commencement of an investigation in 1969 could not reasonably be expected to result in an immediate complaint—if, indeed, a complaint is ever filed; and that the filing of a complaint does not result in an immediate order—if, indeed, an order is ever issued. If SCM were truly threatened with immediate irreparable harm by virtue of Xerox' alleged unlawful acts, it would, like the normal suitor seeking a preliminary injunction, have sought relief promptly. Its failure to do so exposes the emptiness of its present claim of irreparable injury. *See Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.*, 1974 Trade Cas. ¶74,912 at p. 96,099 (S.D.N.Y. 1974), *aff'd,* No. 74-1172 (2d Cir. July 3, 1974) at p. 4668.

Since SCM demonstrably has no need for the preliminary relief it seeks, its purpose in making a motion for a preliminary injunction, of necessity, was other than to preserve the status quo and avoid irreparable injury *pendente lite.* There is no need to speculate on that score, since SCM has disclosed its true motivation on several occasions in the course of this litigation: to obtain from the District Court an advisory opinion as to SCM's likelihood of success on the merits of its antitrust claim in order to facilitate future investment decisions. This has been clear from the very outset of this case (see p. 8, *supra*). The most recent expression of SCM's desire that the Court act as an odds-maker and advise SCM now what its chances are of ultimate victory appears in its brief on this appeal:

> "Moreover, the very granting of any preliminary relief, based on a finding of likely ultimate success by SCM, would have a salutary effect on SCM's willingness to attempt further penetration of the business as a competitor, and on the industry generally. Wholly apart from the benefits of the particular relief granted,

the injunction would indicate that permanent relief creating an atmosphere in which competition is encouraged is likely to occur in the foreseeable future. Thus, potential competitors would be encouraged to make investments in this industry because the risks would appear reduced. SCM's ability to sustain losses and to commit capital would be enhanced, thus increasing its possibility of ultimately becoming an effective competitor" (Br., pp. 39-40).

It goes without saying that the rendering of judicial advice is not the purpose of a preliminary injunction, and that the lack of such advice does not constitute irreparable injury.[47]

This desire for an advisory opinion accounts for SCM's extraordinary list of other "conceivable" interlocutory remedies which it asserts the District Court has power to grant. The Court properly refused to consider such relief, which SCM never formally requested. Furthermore, no such relief could properly be granted because SCM, having an adequate remedy at law, cannot be irreparably injured in the absence of a preliminary injunction.

C. SCM's Laundry List of "Conceivable" Remedies

Although SCM's motion (A115) sought only "the preliminary injunctive relief requested in paragraphs 49 through 53 of the First Claim of its amended complaint,"[48] it studded its briefs in the District Court with a constantly expanding list of other "kinds . . . of relief which conceivably can be granted . . ." (E476). SCM asserts that the court below erred in failing to consider the availability of such "conceivable" remedies (Br., pp. 25-26), even

47. At the oral argument, the District Court pointedly asked SCM's counsel if he was aware of any authority supporting the issuance of a preliminary injunction for such a purpose. Counsel replied in the negative (E686).

48. The motion also added a boilerplate request "for such other or further or alternative relief as may be appropriate and necessary and as the Court may deem just and proper" (*Id.*).

though it never categorically requested the Court to grant them. SCM's position reflects a basic misunderstanding of the issue before the District Court.

According to SCM, the issue was "whether there are any conceivable remedies for the alleged wrongs during the pendency of the action" (Br., p. 22).[49] But Xerox did not move to dismiss SCM's complaint for legal insufficiency, that is, for failure to state a claim upon which relief can be granted. The issue before the District Court on SCM's preliminary injunction motion was *not* the existence of a conceivable remedy; rather, it was the existence *vel non* of a demonstrable need on SCM's part for the extraordinary remedy of a preliminary injunction.

There is all the difference in the world between a motion to dismiss for legal insufficiency under Rule 12(b)(6) and Xerox' opposition to SCM's preliminary injunction motion. Whereas a complaint will not be dismissed if the court finds that, on the facts pleaded, "some relief, not limited by the request in the complaint, can be granted" (*Norwalk CORE* v. *Norwalk Redevelopment Agency,* 395 F.2d 920, 925-26 (2d Cir. 1968)), a preliminary injunction may issue only upon a showing of threatened immediate irreparable injury. In the former case, the plaintiff's claim is dismissed outright, while in the latter he merely fails to obtain an extraordinary remedy for failure to establish its legal prerequisites. The authorities cited by SCM (Br., pp. 24-25) under Rule 12(b)(6) are thus inapposite here.

In short, SCM's argument that the lower court had "power" to grant a variety of possible remedies is totally

49. SCM's statement of the questions presented on this appeal reflects the same misconception: "[S]hould the court have refused to consider whether there are any other conceivable forms of relief which it possesses power to fashion and grant . . ." (Br., p. 2)?

beside the point. The District Court recognized the existence of such power (A134) but properly focused its inquiry on the crucial question of SCM's need for immediate relief.[50]

SCM's papers can be searched in vain for any claim, much less supporting factual averments, of an immediate need for any single one of the numerous "conceivable" remedies it asserts might be appropriate. SCM's argument below with respect to one such item—access to Xerox' unpatented technology (*i.e.*, secret know-how)—is illustrative.

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50. In light of F.R. Civ. P. 7(b)(1)'s requirement that "an application to the court for an order shall be . . . in writing . . . and . . . set forth the relief or order sought," the District Court was justified in not considering the "conceivable" remedies enumerated in SCM's briefs, none of which was called for in the motion or specifically requested in writing, and in testing SCM's right to preliminary relief "with reference to the specific relief it is seeking" (A134). *See, e.g., Alger* v. *Hayes,* 452 F.2d 841 (8th Cir. 1972); *Sequoia Union High School District* v. *United States,* 245 F.2d 227 (9th Cir. 1957); *Bartholomew* v. *Port,* 309 F. Supp. 1340 (E.D. Wis. 1970); *United States* v. *64.88 Acres,* 25 F.R.D. 88 (W.D. Pa. 1960); *Steingut* v. *National City Bank,* 36 F. Supp. 486 (E.D.N.Y. 1941).

The cases cited by SCM (Br., p. 25 n.1) are inapposite. *Eastman Kodak Co.* v. *Fotomat Corp.,* 317 F. Supp. 304 (N.D. Ga. 1970), *appeal dismissed,* 441 F.2d 1079 (5th Cir. 1971), involved a motion which sought specified preliminary relief in general form which the Court, after negotiation between the parties, narrowed to greater specificity. There is no suggestion in the opinion that relief of a type not sought in the motion could be granted. *Columbia Broadcasting System, Inc.* v. *ASCAP,* 320 F. Supp. 389 (S.D.N.Y. 1970), likewise involved the court's determination of the specifics of relief which had been generally requested by the moving party. The motion asked, alternatively, for payments *pendente lite* or prohibition from use of ASCAP's music. Both parties preferred the former, and the court fashioned its own formula for computing a reasonable fee. And *DeLorenzo* v. *Federal Deposit Insurance Corp.,* 268 F. Supp. 378 (S.D.N.Y. 1967), merely permitted an amendment to a motion to dismiss to add a request for dismissal of a claim asserted in an amended complaint filed after the motion had been made. The plain distinction of *Interphoto Corp.* v. *Minolta Corp.,* unreported (S.D. N.Y. 1969), *aff'd,* 417 F.2d 621 (2d Cir. 1969), is set forth at pp. 27-28 n.32, *supra.*

In its main brief below, SCM summarily stated that "access to the unpatented technology maintained in secret by Xerox *may* be equally as vital to SCM as access to Xerox's patented technology, in SCM's attempts to keep abreast of Xerox's existing technology and the innovations to come" (E487; emphasis supplied).[51] SCM did not assert that such drastic relief[52] *is* necessary to avoid irreparable injury. Nor could it do so in light of the fact that it did not even conjure up the possibility of such a preliminary remedy until seven months after the commencement of this action and three months after the filing of its amended complaint.[53] Moreover, it is apparent that SCM does not need Xerox' know-how to compete effectively. Numerous other companies, none of which has access to any of Xerox' unpatented technology, are now in the market with plain paper copiers and vigorously competing with Xerox. And one of these—Van Dyk Research Corp. (SCM's supplier) —a company infinitely smaller that SCM—has developed a machine which SCM itself declares is "the fastest plain paper copier on the market" (E482). SCM can hardly plead technological inability to do what Van Dyk has already done.

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51. SCM went on to assure the Court that it "has equitable power to require Xerox to license unpatented technology to SCM" (*id.*), again stressing the Court's power to grant relief rather than SCM's need for it. *See also,* SCM's reply brief below (E563).

52. The Supreme Court, in *Kewanee Oil Co.* v. *Bicron Corp.*, 40 L.Ed.2d 315 (1974), has recently stressed the significant interest a company has in protecting its trade secrets. *See also, Painton & Co.* v. *Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971). SCM, in this case, suggests the propriety of ordering the wholesale disclosure of all of Xerox' valuable know-how, *pendente lite*—a drastic and unprecedented preliminary remedy.

53. That this was not a matter of oversight is evidenced by the amended complaint's prayer for disclosure of unpatented technology as a matter of *permanent* injunctive relief (¶42, A89). SCM thus consciously determined that it did not need access to Xerox' know-how *pendente lite*.

Without belaboring the obvious, the same self-evident absence of irreparable injury flowing from each of the other "conceivable" remedies enumerated by SCM appears from even a cursory reading of its papers in the District Court.

SCM's panoply of "conceivable" preliminary remedies is legally unavailable to it for another reason. Given its acknowledged presence in the marketplace with a plain paper copier, whatever injury it might suffer if the possible relief it enumerates is not granted and Xerox loses this suit will be compensable in money damages. This constitutes an adequate remedy at law. *Columbia Pictures Industries, Inc.* v. *American Broadcasting Companies, Inc.*, No. 74-1172 (2d Cir. July 3, 1974) at pp. 4666-67. The amended complaint alleges that the past injury resulting from SCM's alleged exclusion from the field amounts to at least $145 million (¶58, A93)—damages which SCM solemnly told the District Court it could prove in at least two ways (E294-95). Whatever injury SCM might suffer during the pendency of this action would be identical to that which it claims it has already incurred—the profits it would have earned had it not been impeded by Xerox' allegedly unlawful acts. If SCM can, as it claims, establish its damages for the past, it follows that, by the time of trial, it will be just as able to prove them for the period of this action's pendency. And SCM's argument (Br., p. 43 n.1) that the uncertainty of the amount of its damages renders its injury irreparable is laid to rest by this Court's decision in *Columbia Pictures Industries*:

> "And, while damages may be difficult to compute, they are provable by inference from the acts and their tendency to injure, as well as from evidence of business, prices, profits and values." Slip opinion at 4667 cit-

ing *Bigelow* v. *RKO Radio Pictures, Inc.*, 327 U.S. 251, 264-65 (1946).[54]

See also, O.M. Droney Beverage Co. v. *Miller Brewing Co.*, 1973-2 Trade Cas. ¶74,797 at p. 95,560 (D. Minn. 1973); *Hershel California Fruit Products Co.* v. *Hunt Foods Inc.*, 111 F. Supp. 732, 735 (N.D. Calif. 1953), *appeal dismissed*, 221 F.2d 797 (9th Cir. 1955).

In the final analysis, SCM's position on irreparable injury boils down to the argument that any litigant with standing to assert a private equitable antitrust claim is automatically threatened with irreparable injury. Its brief could not be clearer on the point:

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54. Judge Palmieri, who sat below in *Columbia Pictures*, discussed the point at some length: "While it is true that it appears at this point that plaintiffs' damages, if any, would ultimately require computation on the basis of their foreclosure from the market, plaintiffs make no attempt to demonstrate why it will not be possible to do so, if and when the problem arises. Plaintiffs merely assert, *ipse dixit*, that it will not be possible to do so. But neither prospective difficulty in computing damages nor the fact that the computations will be based on the effects of foreclosed competition necessarily preclude such computations. [citing cases] Moreover, plaintiffs will fall within the penumbra of the elementary principle that 'the wrongdoer shall bear the risk of the uncertainty [of damages] which his wrong has created.' *Klinger* v. *Baltimore & Ohio R. R. Co.*, 432 F.2d 506, 516 (2d Cir. 1970). See *Bigelow* v. *RKO Radio Pictures, Inc.*, 327 U.S. 251, 264-65 (1946). The Supreme Court has consistently reaffirmed that absent more precise proof the factfinder may 'conclude as a matter of just and reasonable inference from the proof of defendants' wrongful acts and their tendency to injure plaintiffs' business, and from the evidence of the decline in prices, profits and values, not shown to be attributable to other causes, that defendants' wrongful acts had caused damage to the plaintiffs.' *Bigelow* v. *RKO Radio Pictures, Inc., id.* at 264-65 . . . . Since it appears that the damages alleged in this suit are susceptible to monetary computation, and plaintiffs having failed to demonstrate that this is not the case, we conclude that plaintiffs will have an adequate remedy at law and are not in danger of immediate irreparable injury." 1974 Trade Cas. at pp. 96,097-98.

This reasoning applies to the case at bar *a fortiori*. Here, SCM does not even assert, by *ipse dixit* or otherwise, that it will be impossible for it to prove its damages. On the contrary, it asserts that it has at least two theories to bring itself within the *Bigelow* doctrine.

"Any holding that SCM—an acknowledged competitor in the 'target area' of Xerox's alleged violations —as a matter of law cannot be suffering irreparable injury during the pendency of the action, is inconceivable. The very recital of Xerox's violations and their effects is a recital of the irreparable injury to SCM and other competitors" (Br., p. 36).[55]

This argument, which would dispense with the irreparable injury requirement mandated by Section 16 of the Clayton Act and hence falls on that ground alone, confuses two separate and distinct legal doctrines. The rule that only persons in the target area of an antitrust violation may maintain a private antitrust suit—exemplified in this Circuit by *Billy Baxter, Inc.* v. *Coca-Cola Co.*, 431 F.2d 183 (2d Cir. 1970), *cert. denied*, 401 U.S. 923 (1971)—concerns standing to sue, *i.e.*, the circumstances in which a plaintiff may allege that he is in a position to avail himself of the Clayton Act's private remedies. As expressed in *Billy Baxter*, "a plaintiff must *allege* a causative link to his injury . . . which indicates that his business or property was in the 'target area' of the defendant's illegal act." 431 F.2d at 187 (emphasis supplied). Only those persons who can satisfy this criterion of standing are legally permitted to go further and attempt to prove that they, in fact, incurred past injury or are threatened with future injury—a *sine qua non* to any recovery after a trial on the merits. But the existence of standing in no way dispenses with the need to prove the fact of injury at trial—much less the fact of threatened *irreparable* injury when a preliminary injunction is sought.

55. SCM's repeated assertion that other competitors are also threatened with irreparable injury has a particularly hollow ring in light of the fact that Litton, which is also suing Xerox for illegally monopolizing the manufacture and sale of plain paper copiers, has not sought a preliminary injunction. *Litton Business Systems, Inc.* v. *Xerox Corp.* (Civil No. 15137, D. Conn., filed June 28, 1972).

SCM's entire position on the issue of irreparable injury is grounded on this faulty premise. Tested against controlling legal principle, SCM has not shown, and cannot show, that it may be irreparably injured if a preliminary injunction is not granted. The District Court was right in ruling that a hearing need not be held because the motion "is doomed to failure" (A139), and its order should be affirmed.

II

The District Court properly denied SCM's motion without an extensive evidentiary hearing in light of SCM's steadfast refusal to particularize its assertion of threatened irreparable injury by affidavit or offer of proof.

SCM argues that it was entitled to an extensive evidentiary hearing merely because it alleged irreparable injury in its complaint. When the District Court asked how such injury could possibly be suffered, SCM in effect invited the Court to come to the hearing and find out (E637-38).

The fact of the matter is that the Court gave SCM repeated opportunities to demonstrate, by affidavit or offer of proof, that it was actually threatened with irreparable injury absent a preliminary injunction, *and SCM flatly refused to do so*. In such circumstances, and in light of the "likelihood of a full-dress trial on the merits that will be measured in weeks or even months" (A133), the denial of a hearing was clearly justified.

Despite SCM's contrary suggestion, "there is no hard and fast rule in this circuit that oral testimony must be taken on a motion for a preliminary injunction . . . ." *Redac Project 6426, Inc.* v. *Allstate Insurance Co.*, 402 F.2d 789, 790 (2d Cir. 1968). *Accord, Schlosser* v. *Com-*

monwealth Edison Co., 250 F.2d 478 (7th Cir. 1958); *In re South State Street Bldg. Corp.*, 140 F.2d 363 (7th Cir. 1944); *Boynton* v. *Mills Novelty Co.*, 60 F.2d 125 (10th Cir. 1932). Since SCM did not follow the invariable practice of supporting its motion with affidavits, but relied entirely on the conclusory allegations of its complaint, the District Court was warranted in asking for a particularization of how SCM is "being hindered in [its] capacity to market or manufacture plain paper copiers" (E681) and for "a more precise indication of what was to be proved to see whether or not the allegations warrant a hearing" (E695). On seven separate occasions in the course of oral argument[56] the Court indicated that SCM should submit such a particularized showing to support its naked assertion on the question of irreparable injury which a hearing was needed to resolve.[57] But no such showing was forthcoming. The District Court was surely entitled to exercise its discretion to deny SCM what amounted to a trial on the merits when the plaintiff obstinately refused to submit affidavits or an offer of proof specifying how it would be irreparably hurt if a preliminary injunction were denied. There is no reason why SCM should not have acquiesced in the Court's suggestion unless it felt that it was unable to particularize its claim of irreparable injury. A plaintiff does not have the right to trigger a protracted preliminary injunction hearing in a vast and complex monopoly case such

56. E637-38, E677-79, E681-82, E682-83, E690-91, E694-95, E728-30.

57. Xerox does not dispute the principle exemplified by *SEC* v. *Spectrum, Ltd.*, 489 F.2d 535 (2d Cir. 1973) and *Dopp* v. *Franklin National Bank*, 461 F.2d 873 (2d Cir. 1972), that when there are genuine issues of fact on a preliminary injunction motion, they should generally be resolved by a hearing; nor did the District Court (E678). But, as the Court also noted, such genuine issues are not properly raised by conclusory pleadings alone (E679).

as this one merely by filing a complaint and a one-paragraph motion. At the very least, it must make a *prima facie* showing of irreparable injury. *See Harlem River Consumers Cooperative, Inc.* v. *Associated Grocers of Harlem, Inc.*, 1974 Trade Cas. ¶74,922 at p. 96,133 (S.D.N.Y. 1974) ("Given this vague showing [by "conclusory allegations"], it is doubtful that this Court would have proceeded to the hearing which ensued but for sworn factual allegations . . .").

The short of the matter is that SCM complains that it was denied a hearing when it simply was unwilling to demonstrate that there was anything to hear.

SCM's refusal to provide the Court with the particulars of its claim of irreparable injury merely underscores its improper attempt to use this preliminary injunction motion as a vehicle to obtain an advisory opinion on the merits. A conscientious district judge, mindful of the burdens imposed on a busy court, could reach only one conclusion: An evidentiary hearing in these circumstances would be an essay in futility, an imposition on the Court, and totally unnecessary.

Conclusion

For all the reasons given above, the order appealed from should be affirmed in all respects.

Dated: July 30, 1974

Respectfully submitted,

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

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SCM CORPORATION,	:	
Plaintiff-Appellant,	:	DKT. NO. 74-1585
-against-	:	AFFIDAVIT OF SERVICE
XEROX CORPORATION,	:	
Defendant-Appellee	:	

--------------------------------------x

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

HOWARD BURGER, being duly sworn, deposes and says:

1. Deponent is an attorney associated with the law firm of Kaye, Scholer, Fierman, Hays & Handler, is over the age of eighteen years and not a party to this action.

2. On the 30th day of July, 1974 deponent caused to be served true copies of the Brief of Defendant-Appellee Xerox Corporation, (annexed hereto), by causing 12 copies of same to be delivered by hand upon counsel for Plaintiff-Appellant, Proskauer Rose Goetz & Mendelsohn, 300 Park Avenue, New York, New York 10022; and by causing to be deposited 2 copies of same, enclosed in a sealed postpaid wrapper in the post office box regularly maintained by the

U.S. Postal Service at 425 Park Avenue, New York, New York, addressed to the following attorneys:

Widett & Widett
100 Federal Street
Boston, Massachusetts 02110

Jacobs, Jacobs & Grudberg, P.C.
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New Haven, Connecticut 06503

these being the addresses designated by said attorneys for that purpose upon the preceding papers in this action.

Howard Burger

Howard Burger

Sworn to before me this
30th day of July, 1974.

Dorothy P. Kale

Notary Public

DOROTHY P. KALE
Notary Public State of New York
No. 30-2018987
Qualified in Queens County
Certificate filed in New York County
Commission Expires March 30, 197[illegible]